

**ADDITIONAL VIEWS ON THE RECOMMENDATIONS OF THE SPECIAL  
COMMISSION ON HOMEOWNERS INSURANCE**

Submitted by:

Representative Eric T. Turkington

Senator Robert A. O'Leary

We concur with the opening language in the separate statement prepared by the Attorney General, MASSPIRG, the Center for Insurance Research, and us regarding the work of the Commission under the guidance and leadership of the co-chairs, Rep. Ronald Mariano and Sen. Stephen Buoniconti.

They have made the Commission a top priority and given this important issue the attention it deserves. And the work of their staffs in preparing, circulating, and endlessly editing the many drafts that each part of this complex set of issues required over these many months, was greatly appreciated.

We do not dissent from any of the following recommendations that received majority support of the Commission, specifically those regarding increased consumer education, the FAIR plan installment payment plans, the FAIR plan credits and assessments, the FAIR plan board appointments, and the Catastrophic event fund. These are important proposals that if implemented could provide major benefits to the homeowners insurance market.

Our concern regarding the majority recommendation regarding catastrophe models is that it is too timid in addressing what the industry has relied on to justify the huge rate increases and mass policy cancellations that have characterized the homeowners insurance market in Massachusetts – the proprietary models whose basis is kept a secret from the public, the Attorney General, and even the Division of Insurance.

At least one of these models has been in existence and used by the insurance industry for twenty years, projecting the likelihood of a major hurricane hitting Massachusetts. Yet during those twenty years no such storm has hit Massachusetts.

Just this week yet another hurricane season ended with no such catastrophic event. The experts and their vaunted models have once again been wrong. The only catastrophic event that has hit Massachusetts coastal homeowners is the policy cancellations by the insurance industry and the rate increases by the FAIR plan.

So we feel that yet another commission is not the answer. We would like to see a public model created by and for Massachusetts whose assumptions would be open to public scrutiny. In the absence of such a public model, we would simply require that if a proprietary model is not open to examination by the Attorney General, it cannot be used as evidence to justify rate increases.

Due to lack of time, the Commission made no recommendation regarding wind deductibles in homeowners' policies. These have been increased recently by the FAIR plan and other insurers, to 2% on most of Cape Cod to 5% on the Islands. These increases, approved by the Division of Insurance with no public hearings, are yet another way to provide less coverage to homeowners, at more cost.

We would have supported a recommendation either that wind deductibles apply only in the case of named storms that retain their hurricane force winds when they reach Massachusetts, or a recommendation capping the size of windstorm deductibles, or limiting them to a reasonable maximum fixed dollar figure.

Time also ran out before a complete debate could take place at the Commission on amending Chapter 436 of the Acts of 2004. This is the legislation whose misinterpretation by the FAIR plan and the former insurance commissioner opened the door for the FAIR plan to apply for the 25% rate increases that have so severely impacted so many thousands of Massachusetts homeowners.

These increases, based on the proprietary models previously discussed, have allowed the FAIR plan to follow the rest of the insurance industry in imposing huge rate increases on their policyholders, to greatly increase its purchase of reinsurance, and still record unprecedented profits. We recognize that repealing this authorization retroactively to reverse past rate increase decisions may be impractical but we would recommend doing so in order to impact any pending and future proposed rate increases.

Finally, we would like to see private insurers who propose significant rate increases in their homeowners insurance products be obliged to demonstrate the basis for such increases at a rate hearing before the Division of Insurance. This is now required in the auto insurance and workers compensation market and should be in the homeowners insurance market as well.

Sincerely,

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